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# Industrial Development Board

Twentieth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 19 November 1998, at 10 a.m.

*President*: Mr. PITTALUGA FONSECA (Uruguay)

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*The meeting was called to order at 10.05 a.m.*

**OPENING OF THE SESSION**

1. **The PRESIDENT** declared open the twentieth session of the Industrial Development Board.

**ADOPTION OF THE AGENDA** (IDB.20/1 and Add.1; IDB.20/CRP.6)

2. *The provisional agenda (IDB.20/1) was adopted.*

**ELECTION OF OFFICERS**

3. **The PRESIDENT** announced that Mr. Nizam Al-Din (Syrian Arab Republic) was unable to attend the session. Mr. Siage (Syrian Arab Republic) would be able to assume his functions as Vice-President.

4. Also, the elected Rapporteur, Mr. Kotov (Bulgaria), had left Vienna for another posting; Group D had proposed Mr. Spasov (Bulgaria) as Rapporteur.

5. *Mr. Siage (Syrian Arab Republic) and Mr. Spasov (Bulgaria) were elected by acclamation.*

**ORGANIZATION OF WORK**

6. **The PRESIDENT** proposed that the Board decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings where substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no member of the Board objected. In the absence of any objections, he would assume that the Board wished to suspend rule 32.

7. *It was so decided.*

**STATEMENT BY THE DIRECTOR-GENERAL**

8. **Mr. MAGARIÑOS** (Director-General) said that the Board would have before it for consideration the report and conclusions of the Programme and Budget Committee (PBC) on a range of financial issues. He was particularly grateful to the PBC for its support for his proposed adjustments to the budget and for providing the necessary flexibility to carry through the transformation of UNIDO.

9. He would shortly complete his first year as Director-General. He had regarded the invitation to present his candidacy for that post as both an honour and a challenge: as an honour because the United Nations was still the best hope for humanity, and it would be a privilege to have the opportunity to work within an agency of the United Nations system for the promotion of development; and as a challenge because it represented a chance to transform UNIDO and thus to participate in the transformation of the whole multilateral development system, which, he believed, needed greater integration among its agencies and stronger links with the private sector and civil society.

10. Member States' discussion, at the fifth General Conference session in 1993, of the need for reform of UNIDO had, by the time of the presentation of his candidacy, become a clear demand for change. The Organization had then been passing through a critical period, with some Member States, including prominent donors, leaving or considering leaving, despite earlier reforms, substantive budget cuts and draconian staff reductions. He had been encouraged to take up the challenge by the adoption of the Business Plan on the Future Role and Functions of UNIDO, which he had seen as an expression of the genuine political will of Member States to transform UNIDO into an organization that was more focused, leaner, more flexible and much more responsive to the needs of its clients.

11. From the outset, he had refused to speak of "reform", which implied the introduction of measures to increase productivity within the same line of business, preferring to talk about "transformation", which implied systemic change, a new way of doing business, a new working culture and new investments. An organization like UNIDO must seek to bring about a cultural change throughout its management and staff. His previous service as a government minister had proved useful for what he was attempting to do in UNIDO. He had learned that it was possible to reform the financial system of an organization and revamp its administrative procedures, but that all those measures had to be carried out in an integrated manner in order to change the organization's culture. The new service modules had thus been prepared in a fully participatory manner, notwithstanding the considerable time required, and a new organizational structure and a completely new set of financial and administrative regulations had been introduced and a new staff career development system implemented.

12. It had then been necessary to show that the new culture worked in the field, where it really counted. The administrative reforms undertaken to date had already significantly decentralized the Organization's operations and delegated authority. While document IDB.20/CRP.4 gave a detailed description of achievements to date in the implementation of the field representation programme, he was aware that there was still more to be done in that area. While decentralization remained a top priority, it was a difficult process requiring a degree of sensitivity and care, which meant that speed might have to be sacrificed in the interests of proper preparation. A small number of countries had been selected to test the new working methods, the scope of the new integrated approach and the

new service modules. Eighteen case studies were being prepared in five developing regions—the maximum given the project workload and available resources.

13. An analysis of the Organization's operations would give an indication of the success of its transformation. Projected technical cooperation delivery for 1998 was $82 million, compared with actual delivery of $99 million for 1997, representing a fall of 17 per cent. Operational budget income showed a corresponding decline, from $13.3 million in 1997 to an estimated $10.9 million in 1998, a drop of 18 per cent. An examination by the Controller to identify the major causes for the decline in both cases had concluded that, disregarding the fact that implementation levels had been overestimated in the past, approximately 60 per cent of the drop could be explained by the one-time effect of the transformation exercise, including such aspects as structural reorganization and staff reassignment, additional work to define the new service modules, the new service delivery system, and discontinuation of services not in line with the Business Plan, the remaining 40 per cent being probably due to external factors beyond UNIDO's control and to the cyclical fluctuations experienced within each biennium.

14. Delivery was expected to increase in the coming months as the one-time effect of the transformation was worked out. In addition, he had taken several concrete measures to accelerate delivery. Also, approvals of new projects, excluding the 18 case studies, were lower than usual. While that indicated that the transformation process was changing the real life of the Organization, it would diminish revenues from technical cooperation activities, with consequent pressure to reduce costs in order to keep the operational budget in balance. That was a price which might have to be paid. However, it should be regarded as an investment in the future, in achieving the mandate of the Business Plan, and in providing conditions that would better serve the interests and needs of both donor and recipient countries.

15. Further investment was also needed from Member States, not to finance administration, the regular budget and personnel having been cut by 50 per cent in the past five years, but to support new technical cooperation activities. It was now necessary to work together to transform the nature, structure and size of the voluntary contributions received by UNIDO to finance such activities, in order to be able to provide the integrated packages of services to developing countries and countries with economies in transition required under the Business Plan. In 1997, 40 per cent of Governments' voluntary contributions had been allocated to support Investment Promotion Service offices, research centres and other institutions in donor countries, and in 1996 47 per cent. Over the past four years, out of $116.5 million in voluntary contributions to the Industrial Development Fund (IDF) and special trust funds, only $73.5 million, or 63 per cent, had supported technical cooperation projects in developing countries and countries with transition economies. A comparison with the figures for the period from 1990 to 1993 showed the trend to be to the disadvantage of the developing countries, total new approvals by donor Governments in those years having amounted to $118.5 million, of which $25 million, or 21 per cent, had been in support of donor country institutions. He therefore wished to call upon donor States to increase the amount of their voluntary contributions directed towards technical cooperation activities in order that UNIDO's integrated programmes for low-income countries in Africa and other parts of the developing world might have a significant impact. He was pleased to be able to present to the Board the first seven integrated packages of services for Members' feedback and constructive comments. Those packages amounted to almost $30 million, or almost half of UNIDO's total technical cooperation activities in 1997 or 1998.

16. The transformation of UNIDO had never been the goal in itself. The transformation process had been carried out as quickly as possible, and the mandate set out in the Business Plan was now almost fully implemented. The ultimate test would be whether, as a result of the transformation, the interests of developed and developing countries could be effectively linked and sustainable industrial development could be used to fight poverty and unemployment, while taking care of the environment at the same time. A transformed UNIDO should have a clear idea of what it could do best, of what it could not do, and of what it could not do alone, if it was to tackle the multifaceted problems of development and make a sustainable impact. With the service modules, the core competences of the Organization had been defined, thus providing it with the basis to establish a clear identity within the multilateral system. To further that process and achieve greater coherence and effectiveness within the United Nations system, concrete collaboration had been initiated with a number of agencies, including the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP), with which memoranda of understanding had been signed. UNIDO had also initiated important new cooperation measures with the World Trade Organization (WTO), the International Trade Centre (ITC), UNCTAD, UNDP, the World Bank and the International Monetary Fund (IMF) in the implementation of WTO's integrated framework of assistance to the least developed countries, aimed at improving their trade sectors and trade-related activities. Those collaborative arrangements were vital to achieving not only system-wide coherence but also sustainable development. UNIDO would, in that context, actively support integrated approaches at the field level, in particular in connection with the United Nations Development Assistance Framework (UNDAF), the United Nations Development Group Office, common premises such as "UN Houses", and the coordinating role of the new United Nations Resident Coordinator system.

With regard to the private sector, UNIDO had just concluded a cooperation agreement with FIAT.

17. He wished to express his gratitude to the staff of the Organization and to the diplomatic community, who had worked hard to ensure UNIDO's success. At important gatherings, including the last meeting of the Administrative Committee on Coordination in New York, UNIDO had been given recognition for its achievements. While mistakes had been made, he believed that, on balance, it could be concluded that UNIDO was on the right track. The documents to be distributed to the Board would give a good idea of what the transformation meant in practical terms. A description of all the measures taken in the first eleven months of his term of office was contained in the publication *The Transformation of UNIDO: a Progress Report*. The range and speed of the changes described in that booklet were due particularly to the combined efforts and commitment of a growing community of people--both inside and outside the Organization--seeking, needing and deserving something different from UNIDO. It was through those innovations that a new organizational culture was being built up. Another publication being distributed, entitled *UNIDO Projects with Impact*, highlighted a sample of the many projects undertaken by UNIDO in recent years that had had a definitive impact on the economic, social and environmental well-being of people.

18. *Presentations were made by Secretariat staff on inter-agency collaboration, pilot applications of the UNIDO service modules in Africa, the UNIDO partnership programme, and progress of the United Nations reform with respect to operational and programmatic issues.*

**REPORT OF THE PROGRAMME AND BUDGET COMMITTEE** (IDB.20/2):

**(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997** (IDB.20/3, IDB.20/5, IDB.20/6, IDB.20/10)

**(b) FINANCIAL SITUATION OF UNIDO** (IDB.20/8, IDB.20/11; IDB.20/CRP.3)

**(c) PROGRAMME AND BUDGETS, 1998-1999** (IDB.20/7, IDB.20/18)

**(d) FINANCIAL REGULATIONS** (IDB.20/6)

**(e) MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003** (IDB.20/9)

**(f) INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS** (IDB.20/4)

19. **Mr. HONIG** (Hungary) said that his country supported the implementation of UNIDO's reform plan. As an emerging donor country, Hungary felt a special responsibility for the Organization. In well-defined areas with well-prepared projects, even relatively small inputs could result in great benefits. Utilization of the integrated programme package with the service modules could lead to a more effective delivery of services. The service modules should serve as simple and clearly defined tools for determining which country could best achieve good development results from what services.

20. As a mark of its confidence in the Organization, Hungary had raised its voluntary contribution to the Industrial Development Fund to $410,000. Guidelines for the country's donor policy for projects financed from the Hungarian special-purpose contribution to the IDF had also been prepared. Those guidelines included a regional approach, since several countries in the same region, suffering from similar problems such as environmental deterioration, could benefit from the same type of project.

21. Interrelation with other organizations of the United Nations system was important. UNIDO could play a significant role in the creation of productivity centres and in quality assurance. He would also propose that the topic of industrial and technological parks should be included in the programme package on industrial competitiveness.

22. His delegation suggested the elaboration of a service module related to public health, with special emphasis on supporting the essential drugs programme of the World Health Organization (WHO). In the less developed countries, there was insufficient know-how for the development of good manufacturing practices in pharmaceutical industries. A service module in that field would contribute to overcoming the development constraints identified by both UNIDO and WHO, ensuring significant improvements in the quality of essential drugs manufactured and distributed in developing countries. Hungary had the knowledge and experience to support such a service, and small-scale pharmaceutical enterprises in his country were willing to transfer know-how and technology.

23. The programme package would be helpful to his country in its domestic economic strategy, including efforts to promote environment-friendly aspects of industry and enhance the role of local industry in its relations with multinational companies. Hungary hoped for assistance in the field of international industrial partnerships and the development of small and medium-sized enterprises. It was particularly interested in local industrial development programmes, regional and cross-border projects, energy-related projects, environmental projects and quality assurance. The Hungarian National Technology and Information Centre and Library was ready to offer the participation of FEMOPET, the

Hungarian Energy Centre, in projects concerning household energy supply, traffic, transportation and fossil energy resources. The Hungarian research community and institutions concerned with technological development and investment promotion were particularly interested in industrial information networking, international industrial partnerships, industrial export capacity-building, cleaner industry partnerships and agro-related industry development.

24. **Mr. REGUIEG** (Algeria), speaking on behalf of the Group of 77 and China, noted that the present session of the Board coincided with the celebration of Africa Industrialization Day. He thanked the Director-General of UNIDO for making available a staffed office for the Vienna Chapter, which was already providing many benefits to Member States, ensuring coordination with countries of the Group of 77 and China and providing access to documentation. The office supported the study group of the Group of 77 and China, which examined subjects of special interest related to UNIDO matters. A Group of 77 Vienna Chapter Internet homepage would be introduced during the current month.

25. Turning to the agenda of the Board, he said that the Group was mindful that 57 Member States had lost their voting rights. Bearing in mind the recommendations of the intersessional open-ended discussion group on timely payment of assessed contributions, serious efforts had to be made by all Member States to pay their assessed contributions in full and on time. The catalytic role of the Secretariat was critical in promoting and implementing measures to facilitate payments through incentives, payment plans and the use of local currencies, as agreed by the Board in its decision IDB.19/Dec.5 (see document GC.8/2). The Group called on the Director-General to continue his efforts and contacts with Member States that had lost their voting rights to ensure the clearance of their arrears.

26. It was worth noting that the financial situation of UNIDO would be substantially improved by the settlement of arrears owed by the United States of America. The decline in the regular budget of UNIDO needed to be halted, and the Director-General should be provided with appropriate financial resources to implement the concepts contained in the Business Plan. The Group of 77 and China commended the contributions made by Member States to the Industrial Development Fund and called for continuation of that positive trend. They also supported the efforts of the Secretariat to convene a Consultation Meeting for Industrial Partnership and Investment in Africa.

27. In conformity with the Political Declaration adopted at the twentieth special session of the General Assembly of the United Nations on the world drug problem, and in the light of Board decision IDB.11/Dec.7, he called on the Director-General to continue to cooperate with the United Nations International Drug Control Programme (UNDCP), in the framework of the Business Plan, to help combat the world drug problem. He expressed warm appreciation for the implementation of the Business Plan in relation to field representation, despite the difficulties caused by financial and personnel constraints. The long-term sustainability of the Organization depended on proper implementation of the principle of equitable geographical distribution in its personnel policy, particularly at the Professional level. The issue of gender balance at all levels of the Secretariat, especially D-1 and D-2, also needed to be addressed in line with current reforms in the United Nations system.

28. The Group of 77 and China attributed special importance to performance indicators to allow Member States to evaluate services and programmes and assess the implementation of the reform process. The Group of 77 would cooperate in the implementation of the new service modules. UNIDO could make an important contribution to solving the serious economic and social problems facing the developing world.

29. **Mr. TRUJILLO GARCIA** (Colombia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that GRULAC wished to pay tribute to the work undertaken by the Director-General, with the assistance of his staff, in connection with the restructuring and reform of the Organization, endeavours which merited Member States' support.

30. The current session provided an opportunity to draw attention to the suffering in the countries of Central America caused by hurricane Mitch. The devastating effects of a natural disaster of such magnitude represented a challenge to the international community and multilateral organizations, which should make a decisive contribution to overcoming the difficulties currently facing the countries of the region.

31. With regard to the report of the Programme and Budget Committee on the work of its fourteenth session (IDB.20/2), GRULAC wished to re-emphasize some observations made during that session—in particular, its support of the Director-General's efforts to increase contributions to the Industrial Development Fund and its concern that the needs of the Latin American and Caribbean countries be taken into account in the allocation of resources for strengthening activities involving industrialization processes. It again underlined its agreement to the maintenance of the UNIDO office in Geneva and to the strengthening of the Group of 77 Chapter in Vienna, on the understanding that the other Vienna-based organizations would support that initiative on a basis of rotation and equitable cost-sharing.

32. Concerning the medium-term programme framework, 2000-2003, GRULAC believed, in the light of PBC conclusion 98/7, that the current budget level should

be maintained. Given the financial difficulties currently experienced by the Latin American and Caribbean countries, GRULAC tended to favour zero real growth. However, bearing in mind the Organization's need for appropriate resources to implement the Business Plan, GRULAC urged Member States to ensure timely payment of their assessed contributions and called upon donor countries to continue their voluntary contributions.

33. The drug problem undoubtedly constituted one of the main challenges facing the international community, which needed to be tackled systematically. Since it was an issue related to development, GRULAC considered that the Organization could, within the framework of the Business Plan, contribute to the anti-drug efforts being pursued at the global level. Cooperation should be intensified between UNIDO and UNDCP, in accordance with their respective objectives and spheres of competence, with a view to identifying areas where coordinated and complementary activities might be undertaken to support countries, in line with their characteristics and priorities, in the attainment of both organizations' objectives. The special session of the United Nations General Assembly on the world drug problem had reaffirmed the need for concerted, system-wide action in that sphere. GRULAC was of the opinion that a decision should be adopted by the Board on such an important matter.

34. GRULAC appreciated the work undertaken by the Secretariat in the formulation of the new programme framework, as reflected in the technical cooperation service modules. The various possibilities offered by the service modules should be made known as soon as possible, and the best methods of practical application identified, jointly with recipient countries, on the basis of their needs. UNIDO should assist in encouraging the contribution of funds by donors for that purpose, on the basis of the requirements of the developing countries. To that end, ongoing dialogue should take place between the Secretariat, donor States and recipient countries, with the aim of defining specific programmes and projects to strengthen developing countries' industrial capacity. The Organization could also explore other sources of funding through coordinated efforts with international financial institutions. In the implementation of the service packages, advantage should be taken of advances made in information and communication technologies, with the aim of generating expertise in order to promote enterprise management, particularly in small- and medium-scale industry. Such expertise was becoming increasingly essential in achieving fruitful coordination between Governments, the private sector and other actors within civil society, with a view to fostering sustainable social and economic development.

35. With regard to field representation, GRULAC believed that activities aimed at strengthening the Organization's presence in the field should be pursued on the basis of an integrated approach, in line with the programme objectives outlined by UNIDO and with the priorities of Member States, and should meet the criteria of effective coordination and interaction between Headquarters and the field. Strengthened field representation should not be limited to the establishment of field offices. Given UNIDO's scarce financial resources and the new challenges posed by industrialization, a realistic perspective should be adopted taking account of existing limitations and achievable concrete results. Thought should therefore be given to adopting more flexible arrangements that would enable all developing countries to have access to the services of the Organization, in accordance with its new programme framework. The Secretariat should hold consultations with all Member States to ensure an ongoing dialogue aimed at developing suitable programmes. In that connection, he recalled the terms of reference set out in Board decision IDB.19/Dec.4. The collaboration agreement recently concluded between UNIDO and UNDP could serve as a basis for developing novel methods for improving UNIDO's field presence.

36. **Mr. DE JESUS FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, said that he would like to refer first to the Second Industrial Development Decade for Africa (IDDA II), and the Plan of Action of the Alliance for Africa's Industrialization. The Secretariat was rightly seeking to rationalize the use of IDDA resources to achieve the best impact possible in Africa, taking into account the new programmatic priorities. The Group applauded the successful package of projects recently formulated with some African countries, especially the least developed countries (LDCs), and looked forward to the extension of that process. The Group supported the efforts of the Secretariat to convene a donors' conference in order to encourage industrial and investment partnerships between Africa and the international community. The Group took the opportunity to express its gratitude to the donor countries that had come forward to assist in that effort. In the light of the approaching conclusion of the IDDA II programme in the year 2001, the Group requested the Secretariat to report to the twenty-first session of the Board on anticipated future arrangements for enhancing sustainable industrial development in Africa.

37. Regarding UNIDO's contribution to the System-Wide Action Plan on Drug Abuse Control, the African Group believed that an integrated industrial development approach could contribute to reducing illicit crops. UNIDO should contribute to the fight against drugs in line with the Political Declaration adopted at the United Nations General Assembly's recent Special Session.

38. On the issue of field representation, the Group believed that enhancement of UNIDO's field dimension needed greater support from Member States. It reiterated its appeal to donor countries to further extend their

support to the Organization in that respect, bearing in mind the significance attached to field representation and decentralization in the Business Plan.

39. The African Group attached great importance to performance indicators. It looked forward to seeing the gradual implementation of the system.

40. Lastly, he emphasized the importance of sustaining the political and financial support of Member States to UNIDO. The Secretariat had worked hard to reform the Organization, and Member States should respond accordingly.

41. **Ms. FREUDENSCHUSS-REICHL** (Austria), speaking on behalf of the European Union, Bulgaria, the Czech Republic, Cyprus, Hungary, Lithuania, Poland, Romania, Slovakia and Slovenia, welcomed the report of the Programme and Budget Committee. She understood that the financing of the staff separation scheme was being regularized, and noted that the programme and budgets for 1998/1999 had been adjusted to allow the necessary managerial flexibility. Although UNIDO's financial situation was improving, the timely payment of assessed contributions and the payment of arrears remained vital to UNIDO's success. She strongly appealed to all Member States, present and former, to pay their arrears and assessed contributions promptly, in full and without any conditions. Member States should also consider further extrabudgetary payments.

42. She emphasized the need for UNIDO's programmes to conform to the Business Plan. Sub-Saharan Africa was the key target region for UNIDO, and the European Union therefore appreciated the announcement of the Consultation Meeting on Industrial Partnership and Investment in Africa scheduled for 1999. The reports issued by the Joint Inspection Unit were relevant and informative, particularly those on strengthening representation in the United Nations system and on more coherence for enhanced oversight. The Director-General was requested to work in conjunction with other relevant organizations to implement the recommendations of the Joint Inspection Unit so as to strengthen coordination, and to report on progress in UNIDO's cooperation within the United Nations Development Assistance Framework and integration with "UN Houses" in the field.

43. The dedication of a new service module to women entrepreneurship was welcomed. However, gender issues needed to be integrated into all UNIDO's operational activities, in line with UNIDO's commitment to achieve the goals set under the Platform for Action adopted at the 1995 World Conference on Women. Under the new framework of the staff development system, she looked forward to the implementation of the new selection procedures for recruitment and promotion of the highly qualified staff UNIDO needed to discharge its mandate. She urged the Director-General to implement fully the measures previously decided by the policy-making organs to meet United Nations targets for representation of women. She looked forward to receiving reports on developments in gender mainstreaming and improvement in the balance in the Secretariat at the next session of the Board.

44. The European Union recalled the importance of decentralization in order to ensure the prompt, efficient and effective delivery of UNIDO's services. It welcomed the measures already taken by the Secretariat to transfer authority to the field, stressing the need for such measures to be fully compatible with the unified United Nations field representation concept. The introduction of field office budgets and the decentralization of procurement authority were important developments; the Secretariat should consider the allocation of limited funds for use on small projects to UNIDO field representatives. The cost-sharing concept for field representation should apply to existing field offices as well as to new ones. Host countries of field offices must show their commitment by meeting their financial obligations and giving full support to UNIDO programmes.

45. She commended the framework approach envisaged by UNIDO and looked forward to the early introduction of performance indicators, which were the key to quality management and evaluation of UNIDO's performance against objectives set by Member States.

46. The new UNIDO was a good example of reform in the United Nations system. She welcomed the development of enhanced cooperation between UNIDO and the private sector through business agreements, and looked forward to seeing the implementation of the projects developed under the new programmatic approach.

47. **Mr. UMER** (Pakistan), speaking on behalf of the Asian Group, said that the financial viability of UNIDO was of particular importance to the Asian Group, since without a strong financial foundation the Organization could not function properly. It was gratifying to note that UNIDO's regular budget cash resources of $17.7 million in June 1998 compared favourably with the situation twelve months previously, when the figure had stood at only $11.3 million, and that the 1998 estimated figure for the staff separation programme, i.e. $10.4 million, was considerably less than the sum of $13.9 million authorized by the General Conference at its seventh session. However, Member States' total outstanding assessed contributions as at 30 September 1998 were $104,914,104. While the Asian Group agreed that UNIDO's financial situation would be substantially improved upon settlement of the arrears of $60,250,511 owed by the United States of America, it was of the view that serious efforts had to be made by all Member States to pay their assessed contributions in full and on time.

48. With regard to the report of the Programme and Budget Committee on the work of its fourteenth session (IDB.20/2), and specifically to conclusion 98/4 adopted at that session, the Asian Group wished to reiterate its support for all the adjustments to the programme and budgets for 1998-1999, in particular regarding the funding of the Group of 77 office in Vienna. The Asian Group also welcomed the possible sharing of the financial burden of the office with other Vienna-based international organizations.

49. Concerning the medium-term programme framework, 2000-2003, and UNIDO's new integrated services, as referred to in document IDB.20/9, the Secretariat had given assurances that the service modules and their service elements would be flexibly combined to provide a comprehensive tailor-made response to the requirements of recipient States. UNIDO would need to interweave the concept of technical cooperation among developing countries (TCDC) across the service modules, and the Asian Group wished to encourage the Director-General to promote the application of the service modules through intensive interaction with Governments and, where appropriate, with other counterparts. With regard to the budgetary ceiling for the next biennium, the considerable decline in UNIDO's regular budget in recent years was a trend that had to be arrested, and the Director-General should be provided with appropriate financial resources to effectively implement the concepts that had been devised.

50. The question of voluntary contributions was intrinsically linked to the Organization's financial health. The Asian Group welcomed Member States' contributions to the IDF, a financial mechanism anchored in UNIDO's Constitution with the aim of enabling the Organization to fulfil its mandate. It was imperative that voluntary contributions should be regularly made to UNIDO by the developed countries and by States in stable economic and financial circumstances. A declining pattern in both regular and voluntary sources of funding was unacceptable.

51. With regard to the reports issued in connection with the programmatic review, including system-wide issues, the Asian Group fully supported the efforts being made by UNIDO for the industrial development of Africa (IDB.20/12), endorsed the Director-General's note on activities of the Joint Inspection Unit (IDB.20/15), and strongly supported the contribution of UNIDO to the System-Wide Action Plan on Drug Abuse Control (IDB.20/13). The Director-General's report on UNIDO activities in Asia and the Pacific (IDB.20/14) was an important document. The countries of the region were faced with manifold economic and social problems. Despite having adopted outward-looking strategies and liberal market-oriented policies with a view to integration in the global economy, they were suffering economic setbacks as a result of the continuing turmoil in the financial and currency markets. The weaker countries of the region, particularly the least developed ones, continued to suffer from major constraints in the attainment of their economic aspirations. UNIDO should be encouraged to focus more sharply on the Asia-Pacific region.

52. The importance of field representation in the effective implementation of UNIDO's programmes was undeniable. The Director-General's progress report now before the Board (IDB.20/16) indicated that, as at 31 August 1998, UNIDO maintained 28 field offices, including 22 headed by an internationally recruited UNIDO Representative (UR), and was represented by UNIDO National Directors (UNDs) in three countries. Steps had been initiated to identify cost-sharing arrangements with host countries for the establishment of country offices, UNIDO having entered into negotiations with the Islamic Republic of Iran, Kazakhstan, Morocco and Turkey. It would be necessary for the process of selecting countries for the five subregional offices to be carried out in close coordination with Member States. UNIDO could better deliver its services to recipient countries through an effective field presence, and the Asian Group welcomed the efforts of the Director-General to strengthen the Organization's field representation.

53. The Asian Group wished to emphasize that the principle of equitable geographical distribution regarding employment in the Secretariat, as laid down in the Constitution, should be observed. In order to enhance its capability, UNIDO should pursue appropriate policies in order that it might benefit fully from Member States' human resource potential.

54. The technological advances of the twentieth century had given a tremendous impetus to global industrialization, and the development of informatics had facilitated the spread of technology, which formed the basis of industrial growth. At the same time, a large segment of the developing world was heavily dependent on the industrialized countries for modern technology, equipment and industrial products. That represented a heavy drain on the meagre and overstretched resources of the developing countries. UNIDO's role in assisting those States in their quest for modernization needed to be enhanced.

55. **Mr. EL-FEKI** (Egypt) said that, in his delegation's view, the Secretariat had adopted a sound procedure for the use of resources for the programme for the Second Industrial Development Decade for Africa, and hoped that it would continue to follow that approach in order to achieve the greatest possible benefit for the largest number of African countries. Egypt supported the organization of a conference on industrial partnership and investment in Africa by UNIDO as part of its efforts to mobilize the necessary funds for the implementation of its technical cooperation programmes and projects.

56. With regard to field representation, Egypt attached great importance to UNIDO's field activities and, mindful of the pivotal role played by the Organization in promoting sustainable industrial development, was keen to host a UNIDO country office. Egypt was also willing to host the UNIDO subregional office for the Arab region, the establishment of which would be greatly facilitated by the existence of a country office in Cairo.

57. The formulation of an efficient system of performance indicators represented an important element in connection with the reform process that was now nearing completion. Such indicators, together with the mechanisms elaborated within the context of the Director-General's recent administrative instructions, constituted a positive addition to the climate of mutual trust between UNIDO and its Member States through the framework of rules and regulations that would allow monitoring and evaluation of the activities of the Organization by Member States.

58. **Mr. IKEDA** (Japan) said that the success of UNIDO's programmatic transformation was essential to the future of the Organization. He welcomed the finalization of the UNIDO service modules as a key element of the new programmatic method, expecting that they would become a useful tool in making the entire project cycle more transparent and effective. He also welcomed the progress in developing performance indicators. They would be extremely useful for decision-making in the management of the project cycles, as well as for increasing public understanding for UNIDO's work. The "collective dialogue" on programmatic issues called for in Board decision IDB.19/Dec.2 should be initiated as soon as possible. An intersessional working group for the purpose might be considered.

59. UNIDO's work should be fully integrated with the activities of other technical cooperation partners within and outside the United Nations system, in order to achieve synergy in development efforts. He therefore welcomed UNIDO's recent arrangement for cooperation with UNDP and its active participation in the United Nations Administrative Committee on Coordination and UNDAF. He looked forward with interest to studying the new agreement with UNEP. He hoped that the discussions initiated between UNIDO and the Japan International Cooperation Agency at field level in Viet Nam, the Philippines and Sri Lanka would lead to the development of concrete bilateral or multilateral projects.

60. His Government attached great importance to the development of Africa, as evidenced by the Second Tokyo International Conference on African Development, held on 19-21 October 1998. He was particularly pleased by the announcement of concrete integrated programmes of services for several African countries. He further welcomed the announced establishment of the Asia-Africa Investment Information Centre.

61. In the context of the programmatic review, he wished to mention the economic crisis affecting the Asia-Pacific region. His Government, while trying to revitalize its own economy, was implementing an assistance package for the Asian economy with a value of $44 billion. A fund aid scheme involving an additional $30 billion was also to be set up in the hope of accelerating the recovery process. He hoped that UNIDO would continue to assist LDCs in Asia affected by the economic crisis.

62. Lastly, commenting on the next biennium's programme and budget, he said that many international organizations were now aiming at zero nominal growth in their regular budgets. UNIDO had undergone a 20 per cent budget cut in the previous year, and the results of the reform were highly appreciated, but the Organization should continue to seek possible savings, for instance in areas mentioned in the report of the External Auditors. His Government was, for the time being, unable to commit itself to zero real growth, or any other specific level of the budget, for the next biennium.

*The meeting rose at 12.45 p.m.*